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TO: Ms. Glenna Cook-McKitterick

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FROM: Jesus Mendez PH.# 899-3472

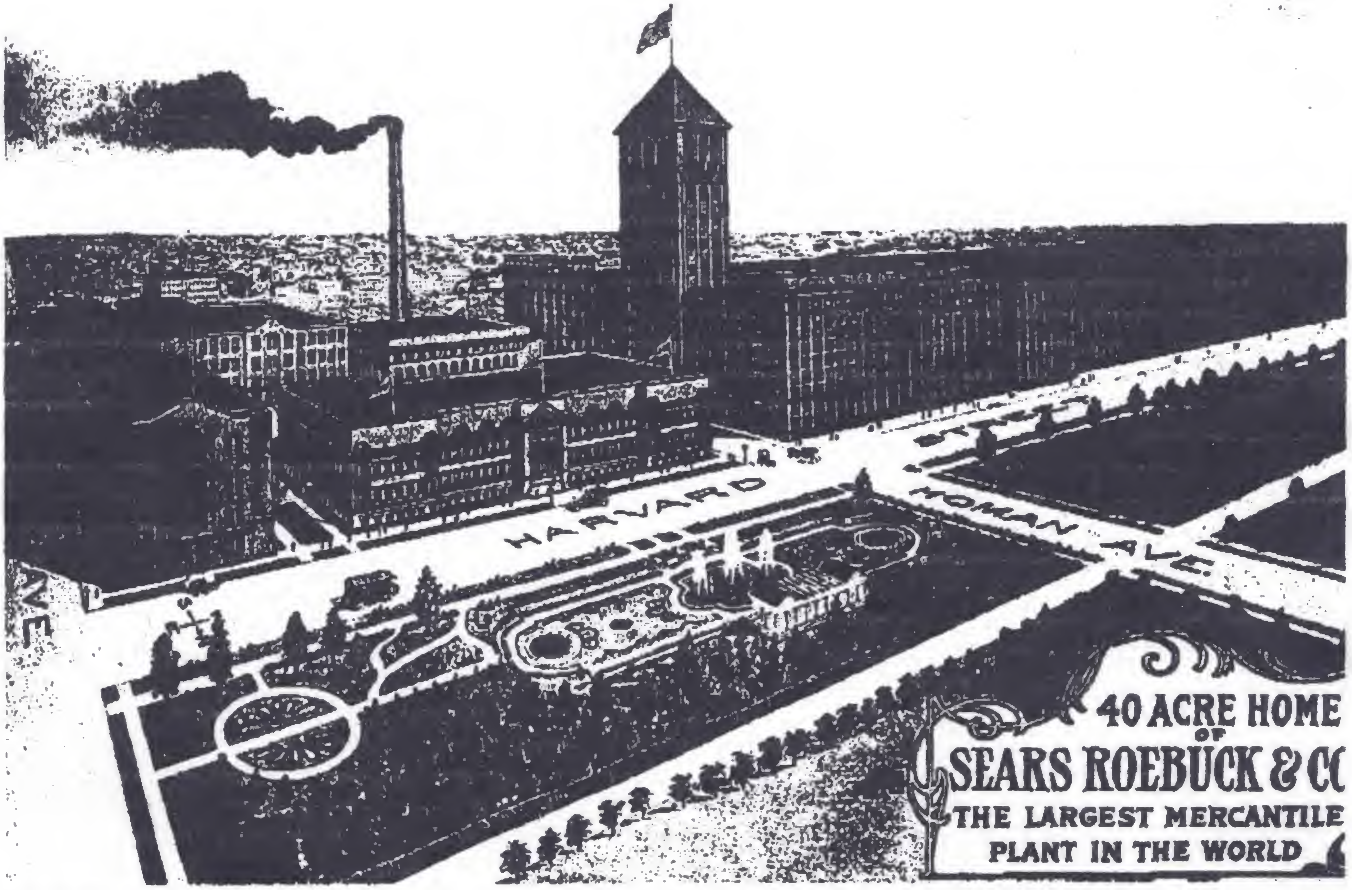
DEPT. OF

NUMBER OF PAGES FAXED (INCLUDING COVER SHEET) 14

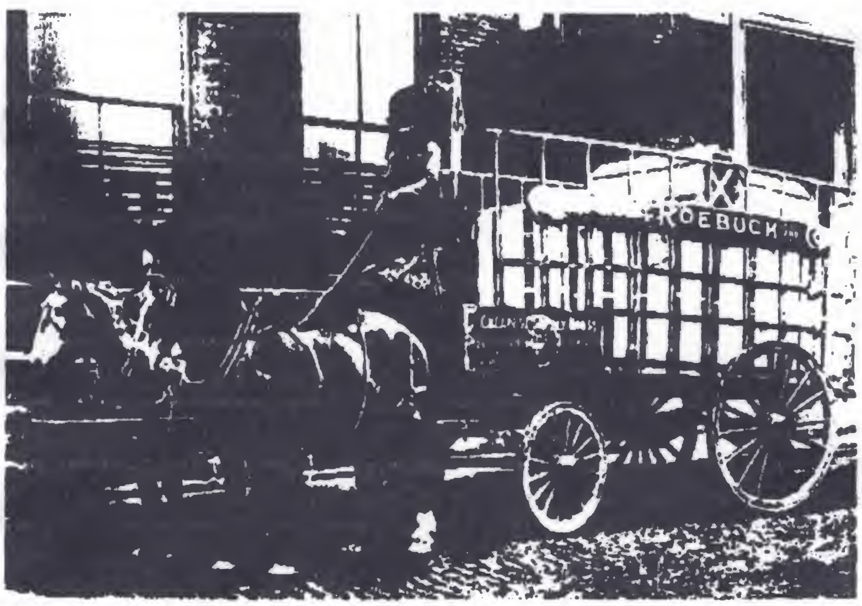
Information on Sears stores, types (A, B, & C), and the origin of the "Tower" style and its significance. Hope all the pages go through!!

SEARS ROEBUCK AND CO.

100th ANNIVERSARY 1886 · 1986



Completed in 1906 at a cost of $5,600,000, Sears' huge West Side complex in Chicago would serve as the company's headquarters for the next 67 years.



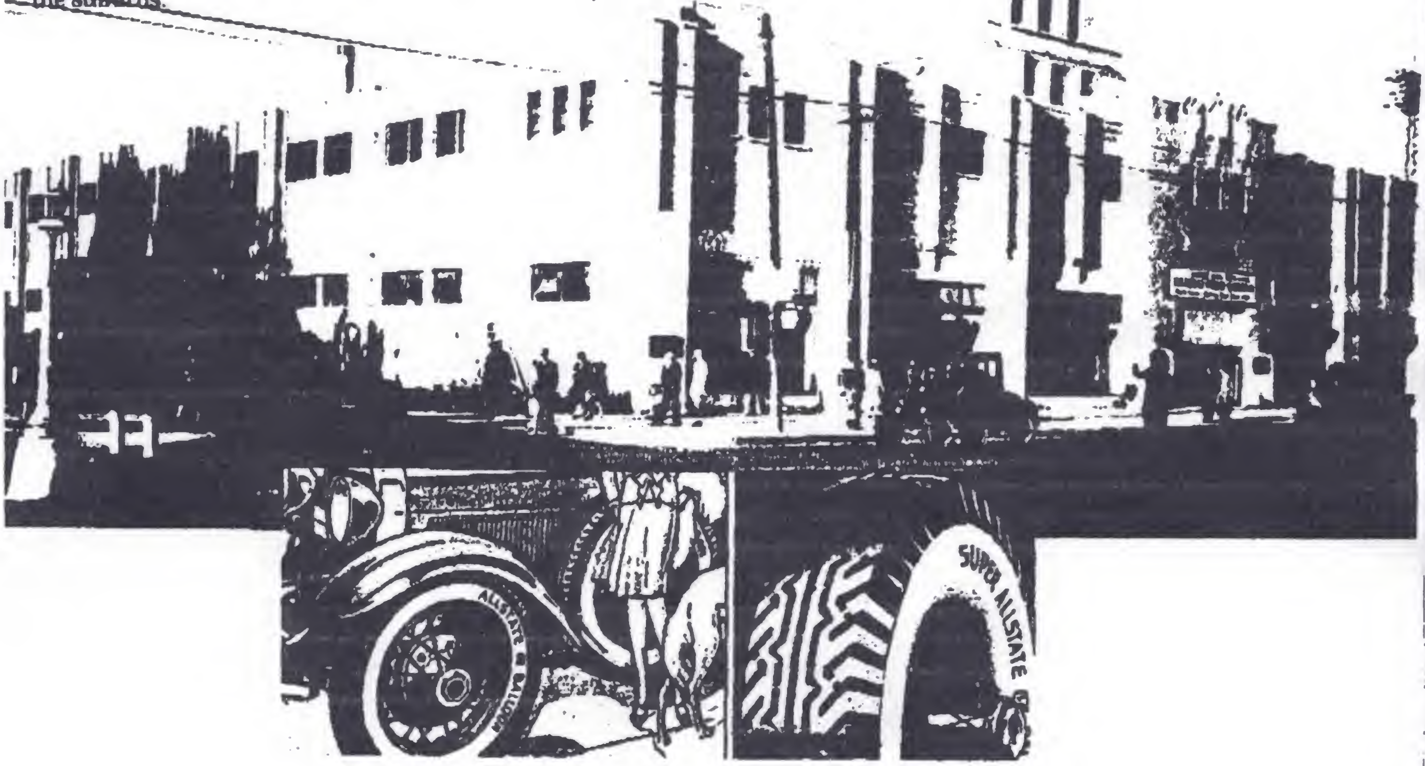
Carting outbound shipments to express companies by wagon in 1905.

WEST SIDE PLANT

With sales nearing $50 million annually, construction of a gigantic Sears plant was begun on a 40 acre site at Homan and Arthington Streets in Chicago in January, 1905. The main structure, called "The Works," was considered the largest single building in the world devoted to merchandising. It was nine stories high and contained miles of conveyor belts, endless chains, moving sidewalks, gravity chutes, and an impressive system of pneumatic tubes to whisk paperwork to the various shipping departments. It was distinguished by the tall tower (housing a water tank) which would become a Chicago landmark and symbol of the company for decades to come. When finally completed in 1906, seven thousand employees worked in the big Sears mail-order "city" that had its own printing plant, power house, dining halls, and landscaped parks.

THE SEARS "A" STORE

The automobile had given Americans the mobility to shop where they pleased. Recognizing this, General Robert E. Wood began building the big Sears "A" stores away from congested areas, where there was space for plenty of free parking. The "A" stores carried nearly all the lines in the catalog, plus had specialty departments. A distinctive symbol of the new Sears-built stores was the art deco tower above the front roof facade – in the tradition of the original 1906 Chicago main plant. These pictures show one of the earliest "A" stores located in the suburbs.



Front and rear views of the new Sears Grand River "A" store in Detroit on opening day in 1930. Unpaved, but free, the big parking lot was a sensation with customers. At one end was a handy tire and battery shop.

Catalogues and Counters

A History of Sears, Roebuck and Company

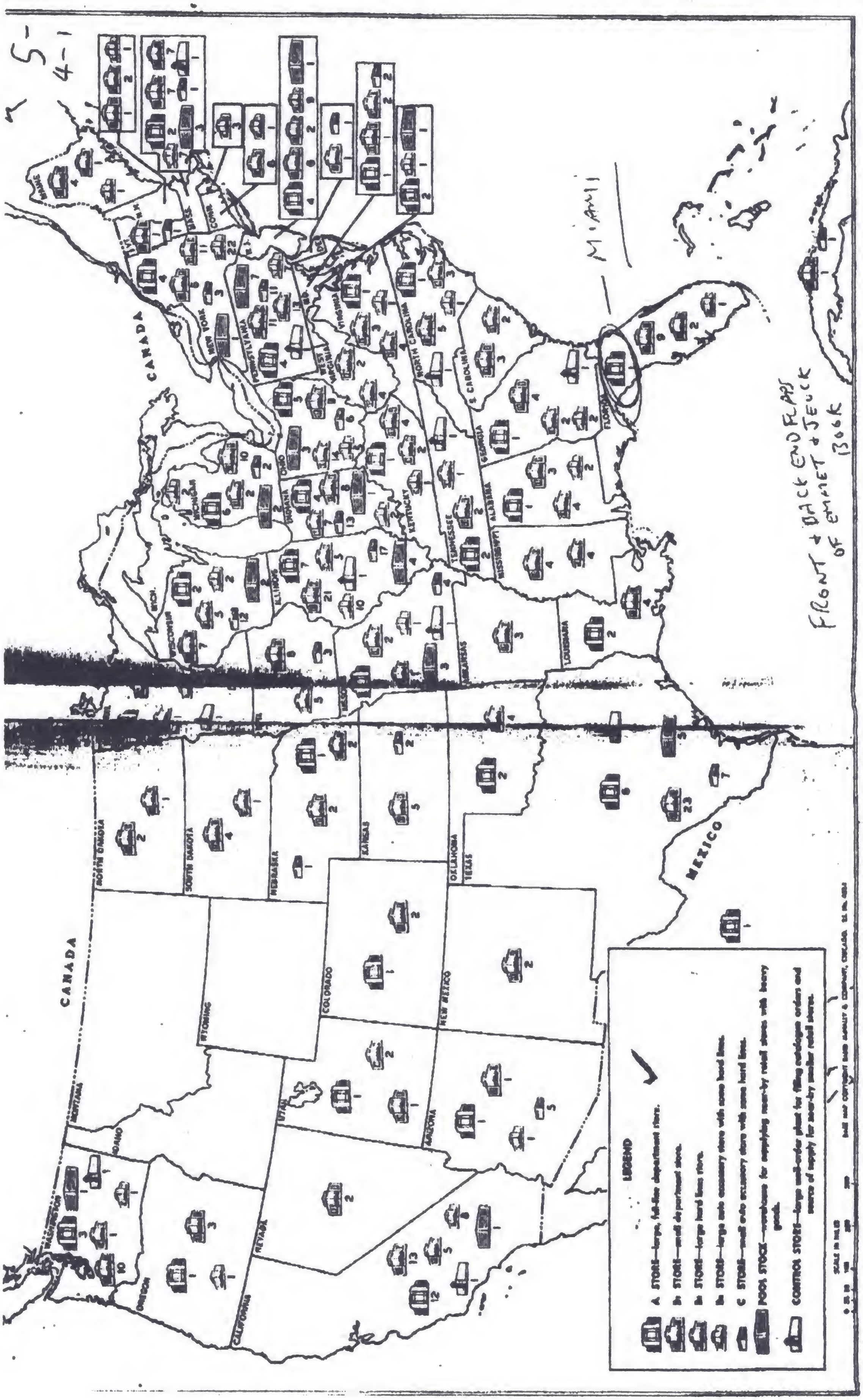
By

BORIS EMMET & JOHN E. JEUCK

THE UNIVERSITY OF CHICAGO PRESS

1950

[redacted]


CANADA
MEXICO
MIAMI
FRONT + BACK END FLAPS OF EMMET + JECK BOOK
LEGEND

CHAPTER XXI

Learning Anew: The Retail Stores

WHILE Richard W. Sears sold watches and jewelry over the counter in his early mail-order days, he did so only as a minor adjunct of the mail-order business he was seeking to build. Nor did the short-lived grocery-store-*cum*-catalogue venture indicate any real effort on the company's part to build a retail business; that appears to have been primarily a sales-promotion device, never actively prosecuted. By 1921, however, when the company was seeking ways to lift itself out of the financial morass into which it had fallen, top-level executives seriously debated entering the retail field on a planned and determined basis. In that year the company sought to stimulate sales by giving exhibitions of merchandise in public rooms. The exhibitions attracted large crowds, and many persons sought to purchase on the spot the goods which were available only for display.

But the frequent and prolonged conferences on the question of branching out into retail resulted in a protracted stalemate. One former executive reports that as late as 1924 he witnessed great crowds thronging one of Ward's retail stores in a mail-order plant and reported that fact to Rosenwald. The operating vice-president sent a representative to make a detailed report on Ward's initial retail operation; the resultant report constituted a lengthy list of reasons the retail store could not succeed and why Sears should not attempt to follow suit. One of the most often-repeated arguments against Sears's entering retail was the contention that the company would, at best, only take business away from itself. This argument apparently rested upon the assumption that retail stores could only divert, not stimulate, business and that, in view of this, there was no sound reason for establishing a whole dual system of distribution, with attendant higher costs, especially in a field in which department stores had already amassed a fund of knowledge and experience.

The argument that expansion would only bring diversion had been made by some company executives in the early 1900's, when establishment of additional mail-order plants outside Chicago was under consideration. (Experience subsequently indicated that some diversion from the Chicago plant to branch plants did indeed take place at first but that the entire volume of business soon became larger with the addition of branch plants.)

While the Sears executives were debating the question, Ward's was tak-

ing tentative steps along that line. Actually Ward's, like Sears, had much earlier "dabbled" in retail—but, also like Sears, in a desultory fashion.

In 1880 Montgomery Ward opened what it called a "branch store" in Milwaukee, carrying "large stocks of such goods as are usually kept in strictly first class dry goods establishments." In the spring of 1882, however, that effort was declared a failure, and the store was closed. Meanwhile, Ward's mail-order sales had risen from $409,888 in 1880 to $702,728 in 1882. Beginning about 1916, Ward's provided facilities whereby citizens of Chicago and Kansas City could come to the firm's mail-order plants in those two cities and place orders to be claimed and paid for when their names were called.

In 1921 Ward's began experimenting with "outlet stores" located in the basements of mail-order plants. These represented an outgrowth of the 1920–21 depression and were makeshift affairs designed to dispose of overstocks and discontinued lines. General R. E. Wood, who became vice-president and general merchandise manager of Ward's late in 1920, originated the outlet stores. When Theodore Merseles, former vice-president of the National Cloak and Suit Company, became president of Ward's on January 4, 1921, it is said he found so much distress merchandise to be disposed of that he established additional outlet stores not located in mail-order plants—one in Aurora, and one in Springfield, Illinois. Those two stores operated under the name "George Lane Stores," and all identifying markings which would connect Montgomery Ward with them were removed from the merchandise, in the hope that prices higher than those of mail order could be realized. The stores were a complete failure and were closed within a few months with sacrifice sales to jobbers. The outlet stores *within* the mail-order plants were, however, sufficiently profitable, or at least potentially so, to invoke the following statements from Vice-President Wood in a report to the officers of Ward's on October 28, 1921, entitled "The Past, Present, and Future of Ward's":

> I originally tried to extend the house sales as an aid to our mail order business. I think in itself it can be developed to a very large and profitable business without interfering with our mail order business and aiding it in many ways. With the assistance of house sales I think we can make progress in the turnover of our mail order business that we have not dreamed of. Moreover the business will be in itself profitable—on an inventory of around $18,000,000 at the close of every season there will be at least 5% of seasonable merchandise on hand, which, under the catalog system, we have got to carry on our shelves until the next season. Five percent of $18,000,000 means $900,000 and that can be distributed over the counter through our four stores [Ward's then had mail-order plants in Chicago, Kansas City, Fort Worth, and Portland; the St. Paul branch was to open later in 1921] inside of eight weeks. Our money will be realized and interest charges lessened!
>
> . . . The keenest competition of all that we have to face is the chain store competition. . . . There are two weak spots in connection with the chain stores, the first being that with the exception of the old established grocery chains like the

A&P they have no distributing warehouse system. For a multitude of small stores they must at some place and some time perform the function of jobbers for themselves, that is, assemble goods in carload lots and distribute them. Many of these chains have not had the foresight to so group their stores as to work out a good system of warehouse distribution.

I feel that if we are so inclined, we can beat the chain stores at their own game—that we have certain advantages which they do not possess and that we can easily and profitably engage in the chain store business ourselves with a relatively small amount of capital. We have four splendid distributing points; we have an organized purchasing system; we have a wonderful name, if we choose to take advantage of it, and we ought to be able to build up our organization as good or better than the chain stores themselves and without harming our mail order business.

. . . We should experiment carefully and just as soon as we feel sure enough of our ground to go ahead, we should go ahead as rapidly as possible.

Wood's recommendations (a revealing testament to his sympathies for retail expansion) apparently received scant consideration from Ward's management, which was convinced that any attempt to operate retail stores selling at catalogue prices was impractical. Three years to the day after his report was submitted—during which time he continued to pressure President Merseles to enter retail on a large scale—Wood was appointed vice-president in charge of factories and retail at Sears, Roebuck. From the time he assumed his new duties, he held forth constantly on the advantages and necessities of the mail-order firm's entry into retail.

Perhaps his largest single battering ram in breaching the wall of opposition within Sears, Roebuck was the knowledge he had brought to the company from Ward's. He had facts and figures to show that Ward's was making a good profit from its retail venture. But Wood's arsenal of factual information was not limited to his knowledge of Ward's operations. He had early developed a passionate fondness for the *Statistical Abstract of the United States*, and he spent endless hours poring over its statistics. He had a remarkable capacity for grasping reams of figures and relating them to his problem at hand.[1] He expounded to others in the company on the significance of the population trend which had in 1920, for the first time, made the United States a predominantly urban country, and he projected that trend into the years ahead to show that much of Sears's market was literally moving away from it and into cities, where those former customers would probably buy from department stores and other retail outlets.

Wood held forth on the significance to the mail-order business of the great increase in automobile registrations and in other means of transportation. He pointed out the rising income of industrial workers in the cities and the fact that farmers were not sharing in the "Coolidge prosperity" to anywhere near the same extent to which they had prospered in the decade ending in 1919. Finally, to the argument that entering retail would only mean losing mail-order business by diverting part of it into retail channels,

Wood replied: "Better to lose that business to one's self than to someone else." The "someone else" was, of course, Montgomery Ward.

Wood received some support from the company's directors. But it was clearly Wood who carried the main brunt of crystallizing the latent sentiment and overcoming the bitter-end opposition of his management associates. He found a sympathetic audience for his passion for retail in the person of C. M. Kittle, who became president of Sears on the same day Wood was chosen to head up the company's factories and the still nonexistent retail effort. Wood's activities along that line in the following year and a half were to explode the time bomb he had left in Montgomery Ward's pigeonhole. Within weeks after the two men joined Sears, Kittle gave Wood authority to launch the venture into retail. The foremost disciple of mail-order houses' selling over the counter was at last able to act.

Wood's green light from Kittle represented merely the authority to open one retail store, in the Chicago mail-order plant at Homan and Arthington streets, although it seems certain that the two men planned to open such stores in all branch plants as rapidly as feasible; and it is highly possible that Kittle had already been persuaded by Wood's eagerness to blanket the country with retail units. The most remarkable thing about the authority to establish that first store and, in fact, the most remarkable thing about Sears's whole retail venture was the fact that the company even went into retail at that time. Only two men in the top layer of executives—Wood and Kittle—favored the retail plan, and only one of these approached the mission with evangelical zeal. The two Rosenwalds, while not opposed to the plan, were at best only open to persuasion based upon returns still to come. Other executives flatly opposed entering retail.

Wood moved rapidly, after permission was secured, to organize and stock the first store. Yet caution remained the watchword, and the selection of the Chicago plant for the venture bespoke a desire to hedge against any considerable loss, in money or prestige, if it should fail. The retail store opened for business on February 2, 1925. It was followed in the remainder of that year by seven more retail stores, all of the "A" class, with four of them located in mail-order plants. The Seattle retail store followed Chicago within three months, after which came Dallas and Kansas City in August (the Kansas City store opened simultaneously with the new mail-order plant in which it was housed). The retail system was extended to the Philadelphia branch plant in October, and in November two more retail stores were opened in Chicago (one on the North Side, the other on the South Side), in addition to the store located in the mail-order plant in that city.

The first retail store to be established outside a city containing a mail-order plant was the one in Evansville, Indiana, opened in October. The eight retail stores reached a combined sales volume of $11,819,000 in 1925,

4.5 per cent of the combined mail-order and retail sales of $258,318,000 in that year. The year 1928 saw only one additional retail store established (in the mail-order plant opened in Atlanta that year), but 1928 testified to improved promotion and merchandising operations, for the sales volume of the retail "chain" almost doubled, to reach a figure of $23,046,000. Mail-order volume in 1928 dropped to 91.5 per cent of the total mail-order-plus-retail volume. The next fifteen years were to witness a steady decrease in mail order's proportion of total sales volume, unbroken in its downward trend except for the one year 1935, when it rallied by almost two percentage points.

Montgomery Ward, meanwhile, had in the spring of 1926 established "mail-order agencies" in small towns as a stimulant for its mail-order business. The system was somewhat analogous to the present-day catalogue order offices; a fairly large line of merchandise items was displayed, but only automobile tires could be purchased on the spot. Ward's for some time had exhibited merchandise in special displays at county fairs and expositions of various kinds. The firm discovered that people were extremely eager to buy its goods both at the fairs and in its mail-order agencies. One reason for this, outside the immediate accessibility of the goods, was (according to a Ward employee) that local independent merchants assured the public that the goods Ward's was displaying were of much higher quality than the people would obtain if they ordered from Ward's by mail. The merchants were insisting that Ward's had purchased the goods being shown solely for display and that this merchandise was not a part of regular stock.

Ward's had found in the course of many state-fair exhibits that the goods displayed became worn and soiled from handling in the course of time, which impaired their later salability. In order to avoid having to unload the goods at a loss at the end of their usefulness for display purposes, Ward's display representative evolved an astute plan. He would sell the goods to local people eager to buy, at full catalogue prices—with the proviso that such customers could not obtain possession of the goods until they were removed from the display. The local merchants' opposition had apparently backfired; people were so convinced that the Ward goods being shown were of far superior quality to the merchandise quoted in the catalogue that they were willing to pay full price, have the goods handled and soiled by "lookers," and ultimately take delivery of the display-worn goods. Ward's management thoroughly approved of this selling arrangement, since it removed an appreciable portion of the cost of displays in expositions.

The next step in local selling came when a Ward employee was accosted at the mail-order agency in Plymouth, Indiana, by a would-be customer who literally would not take "No" for an answer. This person was determined to buy a certain saw on display in the agency. Reiterated assertions

that the saw was not for sale left him unmoved; he wanted to buy it at catalogue price, he intended to buy it, and he refused to depart until he had bought it. His nuisance value paid off, and he was finally allowed to buy the saw. The news of that transaction circulated rapidly by word of mouth, with the result that scores of people poured into the agency demanding to buy the goods on display. With the dam already breached, the agency personnel gave in; everything in the agency was sold forthwith. The agency promptly reordered a full stock from Ward's mail-order plant—and just as promptly sold all the goods over the counter at catalogue prices, then reordered from its service of supply again.

By this time the extraordinary movement of goods to the Plymouth agency came to the attention of President Merseles. When he discovered the agency was selling merchandise directly, he was outraged. Ward's, he cried, had always claimed that the mail-order business' efficiency in handling orders and its elmination of "overhead" enabled the firm to undersell all over-the-counter merchants. The practice of selling at retail for catalogue prices, he maintained, negated the whole basis upon which the business rested. It was pointed out to Merseles that because of the rapid turnover the agency outlets could sell fast-moving items at a higher net profit than mail order's average and that the Plymouth agency was dealing in just such fast-moving merchandise. The agency further claimed that it was netting 20 per cent profit. Special audits were made. The evidence was unassailable. Merseles authorized two other mail-order agencies—at Little Falls, Minnesota, and at Maryville, Kansas—to sell over the counter. The resultant profits were equally encouraging. Merseles was completely convinced, and Ward's board of directors was collectively enthusiastic (they may also have discovered by that time that Sears's retail stores up to that point had proved profitable).

Sears, meantime, was continuing its own retail expansion. In 1927 it opened more "A" stores, two of them in the new mail-order plants in Memphis and Los Angeles and five others in Camden, New Jersey, Milwaukee, Philadelphia (that city's second), and Chicago (for a total of four in that city). The first stores of two new types made their appearance that year: eight of the "B" class and three of the "C" class. By the end of 1927 there was a total of twenty-seven stores in operation, three times the total number operating at the end of the previous year.

Ward's took steps in 1927 to whittle down Sears's retail lead. Ward's opened stores at Woodstock, Illinois, on January 15; Monroe, Wisconsin, February 5; and Clinton, Illinois, February 26. A brief lull followed, but on April 9 Ward's established a retail unit at Fostoria, Ohio. Then Crawfordsville, Indiana, was opened on May 7; Kankakee, Illinois, on June 25; Faribault, Minnesota, on July 30; and Evansville, Indiana, on August 8. This gave Ward's ten retail stores (the Little Falls, Minnesota, store had been closed) in addition to the outlet stores in each of its branch mail-order

plants. Those mail-order plants numbered seven by 1927—Chicago, Kansas City, Fort Worth, Portland, St. Paul, Oakland, and Baltimore. Branches at Denver and at Albany, New York, were to follow in 1929.

In late summer of 1927 Ward's issued instructions to its retail staff to step up the rate of expansion sharply and to get into "choice" towns before Sears did, even at the realized prospect of many costly errors. One mistake Ward's sought *not* to make was that of being too slow. Ward's generally favored entering towns with populations between 4,000 and 75,000 (it is interesting to note that Ward's had already started entering towns much smaller than those in which Sears first located its stores) on a breath-taking scale, seeking to have fifteen hundred retail stores in operation by the end of 1929. They compromised on a more practicable target figure of five hundred stores by that date; but even that number appeared difficult of attainment, since Ward's had only thirty-seven retail stores in operation as of January 1, 1928, exclusive of the stores in seven mail-order plants—a total of forty-four.

Sears, Roebuck was driving ahead with equal force to spread its chain of retail stores over the country and to beat Ward's to the best locations in the best cities. Sears's greatest expansion to that point came in 1928, when more than six times as many new stores were established as in the preceding three years combined. The "A" stores more than doubled in number that year, growing from 16 to 37, but the really great expansion came in the "B" stores—from 8 to 150. Only 2 "C" stores were added, bringing that class to a total of 5. Two of the "A" stores added in 1928 were located in new mail-order plants, at Minneapolis and Boston, with another opened in Boston outside the branch plant. These 192 retail stores turned in a sales volume of $107,179,000 for a resounding 30.9 per cent of total company sales.

Ward's assumed the lead in total number of stores in 1928, with 244 retail units in operation by the end of that year, exclusive of the 7 outlet stores located in mail-order branches. But these 244 stores handled net sales of only $48,000,000, less than half the $107,179,000 reached by Sears's 192 stores. Ward's realized a profit of $4,452,055 on its retail sales that year, and retail accounted for 22.4 per cent of its total sales.

An interesting example of the keen competition between the two mail-order firms occurs in a report made to General Wood on May 31, 1928, by T. J. Carney (soon to be parent operating vice-president), on the simultaneous opening of the Sears and the Ward retail stores in Huntington, West Virginia. Carney's résumé covered everything from the space occupied by the two stores to their advance publicity for the openings. All in all, Ward's appears to have had a sizable lead over Sears in almost every respect, at least in the Huntington effort. In addition to buying more newspaper space to advertise the opening, Ward's also sent letters to all its mail-order customers in the Huntington area telling them of the coming of the retail store. Both stores carried an assortment of hard and soft lines, with

Ward's giving more emphasis than Sears to the latter. Ward's aisles were wider, their signs better, their displays more attractive, and their fixtures superior, and the store generally made a better impression than Sears, according to Carney, who added:

> Our store was one of the best of our Eastern stores in appearance, but seemed [illegible] after a visit to Ward's. . . . It is of interest to note that several of our men heard reference to Sears "hardware" store—Ward's store attracted women without seemingly affecting the number of men customers. . . . Ward's advanced the opening date of their store and sent a number of additional men in training for store managers to handle opening. They made statement—"It was their best effort." A remark was credited to Patton [manager of Ward's Huntington store] that they had seen most of our stores and the Huntington store was the best looking one we had.

By the end of 1929 Ward's had opened five hundred stores—one-third of the number earlier hoped for. To reach even that figure of five hundred, Ward's had frequently opened as many as twenty-five stores a week during 1929.

In that same year Sears's expansion drive also continued apace, though not at the same rate of increase, to reach a total of 324 stores. Again it was the "B" stores which led the race; that class grew from 150 to 237, while only 11 "A" stores were added for a total of 48, and 29 more "C" stores for a total of 34 of that type. The retail stores' volume of sales increased from $107,179,000 in 1928 to $174,625,000—an increase of a little more than 61 per cent. And retail-store sales in 1929 accounted for 39.6 per cent of total sales.

The year 1930 saw a net addition of 27 Sears's retail stores. Aided by the additional stores, retail sales volume increased by some $6,207,000 over 1929—but mail-order sales *decreased* by $56,490,000 from a high of $266,-043,000, with the result that retail sales that year constituted 46.3 per cent of total volume. The company apparently concluded that, with mail-order sales dropping and retail volume rising, it should put its chips on the latter. In 1931 it added 40 retail stores, all of the "C" class, and saw the pattern of 1930 repeated in large measure: total mail-order sales decreased, while retail sales showed a gain over the previous year. The net decrease in mail order amounted to $47,683,000, dropping mail-order net sales volume to $161,870,000—its lowest point since 1917. Retail sales, on the other hand, showed a gain of $4,509,000 over 1930 to account for 53.4 per cent of total sales—the first time retail had exceeded mail order in sales volume.

The year 1932 saw retail further increase its share of the total sales, to 57.7 per cent. Mail-order sales in that black year skidded to $116,729,000 (the lowest in dollar volume since 1915), a decrease of $45,141,000 from 1931, while retail sales dropped by $26,318,000. The year 1932 marked the bottom of the pit for Sears, Roebuck, and the only year of that depression in which it actually operated at a net loss, for the following years witnessed

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a steady rise in sales volume and profits. And whereas the debacle of 1921 had accounted for a net loss of $16,453,469, the year 1932 saw a net loss of only $2,543,651. Even the sharp drops in sales volume in 1930 and 1931 had left a profit at the end of each year, even if a steadily decreasing one. And the latter depression was of far greater duration than the former and carried the country through a far bitterer and more damaging experience. By 1929, however, Sears had its own chain of retail outlets and thus could match all competition on price reductions, from day to day and, if necessary, from hour to hour.

The years which marked a cataclysm for the nation at large represented in Sears's progress simply a time for consolidation and reorganization, for the trough of the depression in 1932 marked the end of the first phase of the company's retail organization.

The doldrums of 1932 carried Sears, Roebuck stock to a record low of 9¾ on the New York Stock Exchange. It should be noted in this connection that farm cash receipts had dropped from $11,296,000,000 in 1929 to $4,748,000,000 in 1932—and the farm market was mail order's chief bailiwick. The drop in factory wages—lifeblood of the retail stores—almost exactly paralleled the decrease in farm income.[2] In the annual report for 1932 General Wood noted that the "A" stores had in that year shown a loss for the first time, "though a small one."

Yet even in the depressing year of 1932, the company continued to demonstrate its faith in retail stores. In March it opened its State Street store in Chicago, the first operation it had sited in a downtown metropolitan business district. In the same month it announced a $4,500,000 store-building campaign for Brooklyn, New York, and Hackensack and Union City, New Jersey—the "New York group." Hackensack opened with fanfare on October 27, with New Jersey's Governor Harry A. Moore heading the welcoming committee and making the first purchase. The salesman handling that transaction was Board Chairman Lessing J. Rosenwald. When the Brooklyn store opened on November 5, the welcome was extended by Mrs. Franklin D. Roosevelt, in her last public appearance before her husband's election to President. For the Union City opening, on November 10, the wife of New Jersey's governor and a group of mayors formed the welcoming committee.

The cost of closing some "B" stores—this type had experienced the sharpest decline in sales with resultant losses—was placed in the annual report at $710,000, including lease settlement, inventory losses, and fixtures. Wood states: "We believe that the closing of these stores has eliminated for the most part the unsatisfactory units." The 94 "C" stores showed a profit in 1932. And the annual report further mentioned that all salaries and wages in the company had been reduced by 20 per cent during that bleak year.

In general terms, 1932 marked a period of consolidation of the retail effort by both Ward's and Sears. Each of these firms proceeded to elimi-

their most unprofitable retail units. And since salvation did not appear to lie in opening an ever greater number of stores, as it had up through ...t of 1929 and even after that, a thorough reappraisal of the entire effort was in order. For the first time it apparently became urgent to re-examine the whole plan of operations of the retail units, of the personnel who managed and staffed them, of the merchandise structures for the various types of stores, and of related aspects of the operation. All these problems had actually been involved from the outset of the retail venture; booming prosperity and mounting sales had simply tended to obscure and to some extent to alleviate the necessity for reappraisal.

Sears, Roebuck's (and, for that matter, Ward's) chief asset in its invasion of the retail field in 1925 was the reputation for integrity, quality of merchandise, low prices, and good service it had achieved in mail order. But that vast reservoir of mail-order experience threatened at the same time to be Sears's greatest drawback to successful and profitable retail operation, for the mail-order reputation which helped induce customers to trade in the company's retail stores was, perhaps unavoidably, accompanied by a "mail-order" concept of merchandising not appropriate to the retail stores. Even before the first store was opened, for example, the question arose whether to peg retail prices at a slightly higher level than mail-order prices. The very fact that this should have been a question for argument is in itself ample evidence of how firmly most of the executives were wedded to mail-order concepts. General Wood, however, was strongly of the opinion that retail prices had to be somewhat higher to compensate for the greater expense of selling over the counter—for salaries of clerks and managers, for rents on buildings, for increased service costs, and so on. Most of the other executives insisted this would be bad public relations, that customers would not understand being unable to purchase over the counter at catalogue prices, and, moreover, that higher retail prices were not necessary. For a short while after Sears entered retail, mail-order and retail prices were the same, but Wood's insistence, Julius Rosenwald's approval, and the slow accumulation of experience soon turned the tide to a differential pegging retail prices some 6-7 per cent higher than those of mail order. The reasons for the differential were explained to each retail customer who raised the question. In due time those who were dissatisfied with the explanation were offered the opportunity of ordering goods from the catalogue through the stores. (This was eventually refined into the system of catalogue desks now prominent features of all retail stores.)

It is an interesting fact that most employees of the company in position to know agree that a clear conception of retail operations did not finally emerge within Sears until some ten years after it entered retail (even though, of course, the stores had become profitable long before then). It appears in retrospect that almost the only thing Sears, Roebuck knew about retail in the first years after 1925 was that it had entered that field.

sited in outlying districts. The "C" stores were originally (and
d in or near the shopping center of town.
pany built most of its "A" stores. For the smaller stores, Sears
ed a policy of negotiating rental agreements on a sliding scale,
minimum guaranty and assuring the landlord a percentage of
ales above the minimum covered by the guaranty. The gen-
able nature of the retail operation meant satisfactory rentals
s and at the same time helped the company to hedge against
leclines in sales as occurred in 1932. As it gained experience in
e company bought several "A" stores outright, including the
: generally proved unsatisfactory; the customers apparently
ears's merchandise in Sears's surroundings. As late as 1932,
e vast majority of the structures occupied by the company's
were rented. The annual report for 1932 stated that the firm in
cupied 345 of its 385 stores on leases, which ran as follows: 135
re in 1933 and 1934; 92 to expire between 1935 and 1937; 82 to
een 1938 and 1942; 25 to expire between 1943 and 1952; and
after 1952. That annual report went on to say:

> decline in sales volume, our rentals in 1932 were higher in percent-
> previous year, but were less than 4% on sales. Our total rental on
> for the calendar year 1932 was $3,277,397. On the basis of the
> l market, it is estimated that our excess rental charged on leased
> ? amounted to about ½ of 1% on their sales.

l of 1926 only one of Sears's nine retail stores (all "A's") was
y where it had no mail-order plant. The decision on merchan-
· the stores had not yet become a pressing matter. Wood had,
sisted from the beginning that the stores should stress hard
:t goods, in contradistinction to most department stores; where-
e latter were essentially "women's stores," the Sears stores were
n the nature of "men's stores," with heavy emphasis on hard
· "frills" in buildings, fixtures, or displays. Yet the Sears "A"
licated, were by no means to confine themselves to hard lines;
etty much to run the gamut of the catalogue in their merchan-
rtune summarizes Wood's concept of his retail chain in these

> ood's great idea was to supplement the existing services. The de-
> e was a woman's place and the chains were doing a good job dis-
> l, clothes, and novelties. But the chains had overlooked hardware,
> ls, farm implements, household furnishings, plumbing—the hard
> re basic in Sears' catalogue business. So the Sears' store would be
> y a man's store. Whatever the department stores were doing, Gen-
> cposed to do the opposite. Whereas they had crowded like sheep
> cations, he proposed to settle in the outlying places, near a high-
> nty of free parking space. That way, he'd catch the new phenom-

enoo, the motoring shopper. That way, too, he'd cut overhead. And mindful of the city wage earner who also had to think of price, he proposed to take a leaf from the catalogue whose price structure was based partly on *lack of service*. The Sears store would do business on cash, offer no free delivery. As for competing with the catalogue, Wood said no. The Sears stores would be confined to cities of 100,000 population or more. Such cities did not contribute more than a fraction of 1 per cent of the Company's gross.[3]

It appears, however, that Wood did not fully communicate his concepts to all his associates. Lessing Rosenwald says that there was a "lack of understanding" among Sears's officers about what the retail stores would really be; Wood was "probably the only man" who saw clearly what those stores might become. It is Rosenwald's belief that if Wood had properly "sold" the other officers at the time the company entered retail, he would not only have been able perhaps to make them see the stores in terms of what they actually became but might also have minimized the officers' fears of competition with department stores and thus have eased the task of persuading his associates.

When it came to translating Wood's conception of the merchandise structure of the retail stores into concrete terms, the initial solution was naively simply. The retail units were stocked by pulling some of almost everything off the mail-order shelves. The earliest retail stores were not accorded even that much respect in regard to their merchandise offerings. A memorandum from Sears's general merchandise office, dated September 30, 1925, to all department heads, read:

> As of October 1st, please report to this office your surplus merchandise . . . and also your discontinued merchandise. . . .
>
> We want to make every effort to clean up our surplus and discontinued merchandise through the retail stores.

As for the service of supply for goods (through the mail-order plants), the retail stores were at most only a few hundred yards away from their "warehouses," and mail order could simply increase its total purchases of goods if the retail stores increased the total volume of sales. Retail then seemed to be to some extent merely an adjunct of mail order, almost nothing more than a new sales-promotional device for the old, established system under which Richard Sears and Julius Rosenwald had prospered so greatly.

The opening of seven more "A" stores in 1927 presented no question as to the lines to be stocked, nor did the three "C" stores opened the same year, since the latter type was to deal almost solely in automobile supplies, paints, hardware, radios, batteries, and a few other, similar hard lines. But the eight "B" stores opened in 1927 *did* present a problem in the assortment of lines, for their mission was far from clarified. They were expected to have as a rule about 10,000–12,000 square feet of selling space (as against only 3,000–4,000 for "C" stores) and to carry a fairly complete selection of

...s, with only a few items within each line. The result of this situation ... that, while both the "A" and "C" type stores had a fairly well-defined ...chandise character, the "B" stores did not. Those "B" stores were ...ding themselves too thin in attempting to carry too many classifica...s of merchandise. The "B" stores therefore had incomplete departments ... odds and ends, with constant changes in merchandise content—the ...verbial "rag, tag, and bobtail" effect.

The "A" stores were in the vast majority of instances profitable from ... start. The "C" stores were also generally profitable from the outset, ...gely because the "Allstate" automobile tires they sold were priced about ...-25 per cent below other tires of comparable quality. But the "B" stores ...ndered, in the main, until the mid-1930's. Their potentialities for profit...bility were sorely impaired by their incomplete and spotty stocks; with no assurance that a customer could find what he wanted at a Sears "B" store, a shopper was quite likely to go instead to a department store—or to a Ward retail store.

Even when the merchandise structure for any given store had been determined in the early days of retail, great problems still remained. Mail-order buyers continued to buy for all retail as well as for mail order. Mail order had never been compelled to "pin point" its operations to a particular city or even to a particular state; what did not sell in one city or state might sell very well elsewhere in the same region served by a given mail-order plant. What mattered to a mail-order plant was how any given item sold within its whole region; but what mattered vitally to a store manager was how an item sold in his own particular store. As a result of mail order's inexperience in this pin-pointing, some retail stores found their shelves bulging with slow-moving items, while other stores were unable to obtain that same item in anything like the quantity they wanted. Proper localizing of inventories came slowly as experience was gained in retailing. Before any considerable fund of such experience was accumulated, however, stores in the South had skis and other winter sports equipment to sell—as well as Decoration Day displays. Some retail units in ice-locked Maine and snowbound Minnesota found tropical sportswear items in their midwinter inventories. San Diego, California, was shipped some earmuffs.

Because of the relatively low style quality of mail-order goods, mail-order buying and retail buying turned out to be sharply dissimilar operations in some respects. Retail customers frequently wanted to see the types of merchandise shown in competing stores in the community, not merely the goods listed in the mail-order catalogue. And mail-order goods were unacceptable to many retail customers. Fashion, color, and design were of secondary importance to most mail-order buyers—so much so, in the opinion of one former executive who made a series of departmental studies of buying, that sources sometimes appeared to be "dumping" poorly styled merchandise on the company. As a result there developed some sentiment

The building of those stores, as far as Store Planning and Display is concerned, goes back of course to the time when Sears was not building all its own stores. A case in point is the State Street store in Chicago, opened on March 3, 1932. Since the building Sears was entering had already been used as a store, the main problem was the remodeling of the interior and of its selling equipment, at a cost to the company of about a million dollars. The selling area was originally to consist of two floors, primarily because no previous Sears's store had utilized more than two floors for that purpose. As the planning progressed, however, the number of lines to be carried was increased to a point which dictated enlargement of the originally contemplated selling space. Floors were added until plans included the first five floors and all the basement.

The fixtures, while built to order in some cases, were mostly of stock design, picked from catalogues. As the merchandise came into the store, the display department took up the problem of how best to display each line, working from existing sales figures to determine which items and groups should be accorded the best selling areas in relation to traffic. This was the beginning of stock arrangement, working hand in hand with sales analysis. Some merchandise was grouped into specialty sections where the customer could find related items in close proximity; model rooms of furniture and model bathroom setups were installed.

The large number of display windows in the State Street store created a problem. To meet it, interchangeable standard properties were developed, so that a small quantity of materials could be adjusted and rearranged to obtain different effects. Sears's stores had long been content to show an item of merchandise in quantity and to give it a price and a name; now an attempt was made to create a desire for the merchandise in the customer's mind by showing the merchandise in use. Accompanying this was a copy message with illustrated material designed to arouse an interest in the results to be obtained from the use of the product rather than its mere glorification. In the corner window theatrical lighting was attempted for the first time in window display (show windows had formerly been confined to strip lighting). Banks of adjustable lights and tinted lenses were used to create various color effects and to spotlight specific merchandise.

Although the State Street store in Chicago was Sears's three hundred and eighty-first, it was the initial location in a downtown metropolitan section. Under the rental arrangement, the estate which owned the building received 1½ per cent of the store's net sales for five years, with a minimum guaranty of $75,000 per year above taxes after three years. The lease ran for twenty years and was subject to revision after five years.

Following the experience gained in the State Street store, there came the three buildings in the New York group (Brooklyn, Hackensack, and Union City), which also opened in 1932, in which the first attempts were made to escape from traditional store design. This time the size of the

was determined from the merchandise lines and assortments to be handled. A new architect was employed in an effort to improve the design, but this brought only a slight simplification in the exterior treatment; there were superficial changes but, in the eyes of the display department, no real improvements. The display department was convinced that outside architects were unable to think creatively in terms of Sears's store functions and that any changes which would translate the experiences and ideas of the company into architectural terms would have to come from within the company, the changes would have to be worked out in the architect's office then being co-ordinated with all divisions responsible for the operation of the stores.

In the three stores in the New York group, the tower remained as an outstanding feature in the general design of all three and as a carry-over from the main Chicago plant (where it had first appeared, in 1905) and other company buildings. It was continued mainly, of course, as an identifying mark of Sears; it had been so widely and enthusiastically hailed on its initial appearance that it had become a very nearly sacrosanct "trade-mark" of the company. As a water-tank inclosure, it had lost its meaning, since, compared with store buildings erected before 1930, the use of city water obviated such necessity. Suggestions to eliminate the traditional fancy façade were, however, partly successful. Out of consideration for residents of adjoining properties, and because the first view of a customer approaching the building from a parking lot was likely to be from the back or side, an effort was made in each case to make the building attractive from all angles.

Planning for the appearance of those three stores and their maintenance in years to come resulted in consultations with the construction department for the selection of limestone facing, which improves with age. Agreement was reached on other exterior materials such as granite for the bases of the buildings on the street sides because of its natural and lasting beauty, and bronze frames for windows and doors. The cost of these materials exceeded that of those used for previous stores, such as Milwaukee, Miami, Rochester, and Evansville, but the expense was justified by the permanency and practicability involved.

To insure easier and less expensive maintenance, the interiors used terrazzo floors, suspended ceilings (which covered ducts and pipes formerly distracting from the merchandise and disturbing the distribution of light), and paint textures of more durable types and colors for walls, dado, and staircases. Escalators were utilized to speed vertical traffic. These had been used in stores by others, but this was the first time Sears had obtained the best possible results from up-and-down traffic. The escalators were so sited that the customer always remained in the sales area and always had an unobstructed view of the merchandise, which is not possible in elevators. The use of mechanical ventilation was improved by operating through ducts concealed in suspended ceilings instead of direct radiation. This